

PUBLIC EMPLOYEES RETIREMENT BOARD

Employee Investment Advisory Council

100 North Park

Helena MT 59601

January 16, 2004

Kathy Samson, Council Chair with the following in attendance, called the meeting to order:

Council Members:

Kathy Samson, Council Chair

Angela McDannel, State Employee Representative

John Northey, State Employee Representative

Jim Penner, Board of Investments Representative

Tom Schneider, Labor Organization Representative

Tom Bilodeau, Labor Organization Representative

Jim Christnacht, Retired Public Employee Representative

Pam Fleisner, School District Employee Representative

Ron Alles, Local Government Employee Representative

Terrence Smith, Local Government Employee Representatives

Conference Call Attendees:

Lorraine Reid, Local Government Employee Representative

Scott Farris of Arnerich and Massena

Others in attendance are as follows:

MPERA staff: Mike O'Connor, Keith McCallum, Melanie Symons, and Kelly Jenkins.

This special meeting was called to discuss with Scott Farris of Arnerich Massena & Associates, Inc. their letter of January 13, 2004. The Council was forwarded a letter, which Scott Faris sent to Kathy Samson on January 13, 3004. This letter states why Arnerich Massena & Associates, Inc. recommends terminating the Janus Balanced and Janus Worldwide funds in the 457 Deferred Compensation Plan. It also states that Arnerich Massena & Associates, Inc. does not recommend terminating the Janus Mid Cap Value Fund in the 401(a) Defined Contribution Retirement Plan, because it is sub-advised by Perkins, Wolf & Donnelly, who are not implicated in any wrong doing.

Arnerich Massena & Associates has considered all the facts and circumstances and has concluded that it would be in the best interest of plan participants to terminate the Janus funds. Their conclusion is due to a long chain of events surrounding the Janus funds, which include:

- I. Senior management turnover
- II. Portfolio management turnover
- III. Structural firm changes
- IV. Performance issues
- V. Possible admission of wrongdoing by virtue of setting aside \$31.5 million for settlements

Melanie Symons confirmed that our IPS states: Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination by EIAC. The EIAC will report the evaluation results and EIAC's recommendations to the MPERB, which will make the final determination whether to continue a fund, place a fund on probation, or terminate participation in a fund.

Ron Alles moved to:

- 1) Recommend a manager search to replace the Janus Balanced and Janus Worldwide Funds in the 457 Plan
- 2) Recommend to the PERB to put the Janus Balanced and Janus Worldwide Funds on probation until the March meeting
- 3) Request approval from the PERB to send a notice out to participants to update them on the events that have occurred with these Janus Funds

Tom Schneider made the second to the motion. There were nine votes in favor of the motion and one opposed. The opposition was that EIAC should not expend the funds for the manager search until after until after we have seen the performance review.

Scott Farris requested documentation be sent to him that states exactly what was approved and what the action items for Arnerich & Massena, Inc. are.

POTENTIAL FUTURE FUND ISSUES

Scott mentioned that Strong has been in the news in a negative way. On March 27, 2003 the PERB approved EIAC's recommendation to put the Strong Opportunity Inv Fund in the 457 Plan on probation.

Scott also mentioned that the Columbia fund family has been given a notice that they may be receiving charges. The Columbia High-Yield Fund is currently available in the 457 Plan.

CLOSING BUSINESS

The next meeting is an educational opportunity and is set for February 11, 2004 in the MPERA Board Room at noon. Meeting adjourned.

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